



**U.S. Department of Justice**

*United States Attorney  
Southern District of New York*

---

*The Silvio J. Mollo Building  
One Saint Andrew's Plaza  
New York, New York 10007*

November 6, 2019

**BY ECF & ELECTRONIC MAIL**

Honorable Edgardo Ramos  
United States District Judge  
Southern District of New York  
40 Foley Square  
New York, New York 10007

**Re:   *United States v. Mark S. Scott*  
      **S10 17 Cr. 630 (ER)****

Dear Judge Ramos:

The Government respectfully requests that the Court preclude the defense from offering as evidence portions not offered by the Government of a recording of a call between Apex Fund Services (UK) Ltd. (“Apex”) employees and the defendant (the “Apex Call”).<sup>1</sup> The portions of the Apex Call that the Government seeks to offer and play for the jury are highlighted in Exhibits A and B, attached hereto. The Government made efforts to reach a consensus with the defense regarding the portions of the Apex Call to be admitted as evidence. In response, the defendant has taken the position that the entire Apex Call—which is approximately one hour in length—should be admitted. The portions of the Apex Call sought to be admitted by the Government stand on their own, and do not require other portions for context or to prevent any misunderstanding. Accordingly, the remaining portions of the Apex Call should not be admitted. *See United States v. Benitez*, 920 F.2d 1080, 1086-87 (2d Cir. 1990) (“[The] ‘rule of completeness’ . . . is violated ‘only where admission of the statement in redacted form distorts its meaning or excludes

---

<sup>1</sup> As the Court is aware, Apex briefly served as the fund administrator for the defendant’s purported investment funds. During the time that Apex served as fund administrator for the defendant’s funds, Apex raised certain due diligence questions regarding the source of wealth for the investors of the funds. In connection with these questions, on August 9, 2016, Apex employees and the defendant spoke via telephone; that telephone call was recorded by Apex.

cc: Arlo Devlin-Brown, Esq. (by electronic mail)  
David Garvin, Esq. (by electronic mail)

# **EXHIBIT A**

CASE NAME: One Coin

FILE NAME: USAO\_00025319

DATE: 9/8/2016

TIME: 00:30:39

LANGUAGES: ENGLISH

PARTICIPANTS: Mark Scott, Paul Spendiff, Muzammil Koyratty, Sonja Hilkhuijsen

ABBREVIATIONS: [UI] Unintelligible in English  
[PH] Phonetic spelling in English  
[] Transcriptionist's Note

PARTICIPANTS	TRANSCRIPTION
Spendiff	Good afternoon
Scott	Hello?
Spendiff	Hello Mark its [UI] here. I've got [UI] with me and we've got Sonia with us who is our European head of compliance
Hilkhuijsen	Hello
Scott	Hi
Koyratty	Hi Mark
Scott	How are you? Ok, so how do you want to get started?
Koyratty	Obviously you asked to speak to someone else at Apex

**GOVERNMENT  
EXHIBIT  
2302-TR  
17 Cr. 630**

PARTICIPANTS	TRANSCRIPTION
Scott	<p>Yeah I asked to speak to somebody else. [UI] look through the file we've created so far and get their opinion on it. You know we've got our opinion on our side as well. And I am clearly, I think I'm leaving no doubt, especially in my last email that I am very, very dissatisfied with what's going on here. We have presented multiple verifications for the parties involved. We're dealing pretty much with schedule three countries we generated where the money is coming from. We've done really pushed to a level due diligence here that we do not experience in our other funds. We have you know two others that we closed down, and one that we're actually still working on. We have not had this kind of experience. And we are in a position right now where we got to a point where every time we send you new materials, you're asking more questions. Right now we're literally at the point where you're asking us for financials of the clients of our clients. And it is just going too far. We cannot answer those questions, so we're really coming to an impasse here. We don't want to answer those questions. We want to push our people so far – this is a business where we have investors that we need to, we want to treat, you know, we want to do due diligence I understand that. We've done that. But there's also point where I have a business relationship with these folks. And we're getting to a point where we have investors who are leaving. One or two actually, I heard about the second one today that knows IMS from a different business. From the credit card business. We are being affected here. Our business is being affected, and I have two deadlines to meet. When you're saying I can't release money, even on the other funds you already closed. You already took your fees. You paid us our fees, and now you're saying you can't have that money, but we entered into arrangements. We have payment obligations. So right now what's happening is is that we have to make a decision of how to resolve this very quickly, at least when it comes to these payments and we'll see how we go on from there. Or we need to separate our relationship very, very quickly. Because we cannot operate this way. My reputation is tarnished already. Like I said, I don't want to be exposed to whatever I have to pay after today if I don't make these payments. So that's your turn.</p>

PARTICIPANTS	TRANSCRIPTION
Sonja	Maybe the request of the additional documentation has come to you at a late stage. Nevertheless, I think that additional documentation are justified and I think that
Scott	Wait a minute. Which one? Which one? The financials? The financials from the clients of our clients?
Hilkhuijsen	Yes, it is the ultimate source of the investment that we intend to check to ensure that they are compliant from the origin of the...
Scott	That's not the way you do business. That's not the way you should do business, OK? I've been a twenty-year private equity firm lawyer. When we take in moneys, okay, even from countries, like right now I did one in Africa, we didn't go to the limited partners and ask them to give us the financials of their investors. We checked them, you know, as to, like, you know, whatever identity, where they're from and things like that. We don't go and get their financials. Then you guys are worse than an audit.
Hilkhuijsen	I understand that the relationship is under enhanced due diligence, which means that it's mandatory to have the source of wealth. Like I said before it's probably not being communicated in advance or not being sent out, that this is a default request. Now that doesn't mean that we need the evidence of the money. We just need the document, and you've been able to provide this investment management document, but then still again, like, we have a new entity here upon which we would like to understand if there is a
Scott	And now this company is gonna sell its product as well, and then you're gonna ask me for the next level of income as well. How did this company now sell its product to somebody? So this just doesn't end. Do you see? This is like just a snowball effect. It is not reasonable for us to show you that this money is not in any way coming from a laundered source or anything like that. You're just going just a step too far. You have verification, even now today, the law firm out of London even sending you verification saying we took money from this company, we're still their lawyers. I mean, you have enough people telling you that this is like a reliable source.

PARTICIPANTS	TRANSCRIPTION
	<b><u>00:05:00</u></b>
Hilkhuijsen	If I understand we obtained just a copy from lawyers saying that for him it is okay. That is not really an evidence we can rely on. If there is documentation it should be possible to get evidence of it and close the topic.
Scott	I can't go to our investors' clients and ask them for information. That's really not reasonable. It really is not. That's impossible to do, OK? We have one client now that we're gonna go after, that client and say wow, how did they generate that much money, so let's check their clients as well. That's what's gonna happen. We have to now figure out a solution that might work a different way. But I cannot go through two levels below me and get information like that. That's impossible.
Hilkhuijsen	So who in the chain could like provide us an alternative solution then that is better than a copy from a lawyer saying that he has done his work without like... if we rely on an alternative source we need something that is reliable. So what else...
Scott	So you're saying three law firms is not reliable?
Hilkhuijsen	Well we're all liable for different things. So a lawyer can like for example in Germany be liable for his mandate that doesn't mean he doesn't have the same obligation for AML like we have as a regulated entity
Scott	Yeah I'm looking to you, you asked me like questions or asked me for documents I can provide you. I cannot go to clients of clients and ask for financials. That is... that has an impact on the investor's relationship on whoever they're making money off of. It has an impact already on me right now. Because we had to dig deep and push hard to get you what you already have. And you have a mountain of things already.
Paul Spendiff	What... obviously you know part of the problem is... Mark is... is the situation keeps changing. And obviously it's very difficult for us to decide what we need because we never seem to have a complete picture in terms of the involved entities. So...

PARTICIPANTS	TRANSCRIPTION
Scott	<p>The complete picture...what do you mean? See that's what I mean. What do you mean you don't have the complete picture? You said from the beginning what it is. You have a letter dated a week ago after we had to start this over to have due diligence explain exactly what's going on.</p>
Spendiff	<p>So but those two entities are not independent, so Mr.Breedenburg is the recipient of a 30 million dollar loan from the fund, I think that probably you know...</p>
Scott	<p>Let me go back, let me go back, let me go back, those that you called. You also had at the beginning, we had wires from IMS that decided that actually wanted to be invested for Fenero which was changed. You have the letters in your files that said hey, we're changing this now to B&amp;N. You had time to bring to close the funds. Everyone made a big deal out of that.</p>
Spendiff	<p>You know...</p>
Scott	<p>Now it's becoming a big deal after we had committed to make basically \$120 million of investments.</p>
Spendiff	<p>So if we just look at the original term sheet, Mark. Fenero and Equity Investments did a series of \$120 million open ended investment funds. At this point, we fully expect to raise additional capital, and start with a series of approved funds starting with the same perimeters. You do a small investor base with wealthy families and middle-market companies. The initial investors, in its narrow investment strategy, the fund involves very little staff. And then it states it's going to buy basically regulated businesses.</p>
Scott	<p>Right, and that's what we're doing.</p>
Spendiff	<p>So... and absolutely. So, which is fine with the first investment. The second investment was actually a loan to a lawyer, who then loaned it- who then used that and had that money directly wired to an entity to buy an oil field, which I would wouldn't follow necessarily this investment strategy. And then the subsequent movements of the money were loans to the management company. So then...</p>



PARTICIPANTS	TRANSCRIPTION
Spendiff	And that's fine.
Scott	[UI]
Spendiff	So once these things change, then obviously that triggers certain different requirement from us as administrator. So we're no longer, you know once you altered the balance here, the agreement for us to engage with you and talk about the fund was based on this term sheet. As soon as you said the requirements and due diligence were based on that and the acceptance of investors and as soon as that changes then we're required to do enhanced due diligence. And the problem is...
Scott	Right and you're saying that my firm and the firm manager and not changing my mind.
Spendiff	No, no absolutely. You are...
Scott	You've got to understand part of the reason I met [UI]. After the oil fields [UI]...
	<u>00:10:00</u>
Spendiff	Yeah, absolutely.
Scott	The reason I'm saying through the trading company. [UI]. How does this make sense to us and not make sense to you?
Spendiff	No absol-
Scott	And you have the opportunity with a \$60 million leverage to go into a situation where the purchaser might not be able to pay for my loan and you take it over for that little money. Wow what a gain for my investors.
Spendiff	And so that's entirely up to you as the investment manager. However, as you change the parameters of the operating model so our requirements as administrator then you have required us to move to enhanced due diligence. And as we have done enhanced due diligence so it's become very difficult to get, as Sonia said, the due diligence we require to provide us with the comfort in

PARTICIPANTS	TRANSCRIPTION
	source of funds, because what we are still not 100% sure is what activity it is that could generate the funds and no one... so you know it's services for IMS and for services to OneCoin and we have no information. And at each stage, and each stage....
Scott	We're trying to help you, we're trying to help you.
Spendiff	And that's fine.
Scott	It comes down to a level. It's a level. And you're asking us to go to our investors clients to figure out how they have their money and generate it [UI].
Spendiff	We would have said...
Scott	[UI]. If you have internet and look up cryptocurrency, you look up OneCoin, you will find things. Like that this company has like 400,000 members that pay into it. [UI] It's basically in 120 countries. Okay? It should be enough for you to say, hey, [UI] profits reach \$1 billion a year. [UI], when you have this kind of stuff available you can't ask us to baby them now, and say, hey OneCoin because your service provider has a contract with us, can you please deal with this and give us your financials? If we have your CFO writing a letter...
Spendiff	But Mark, Mark, Mark...
Scott	[UI]
Hilkhuijsen	So the protection agreement is based on the fact that you obtained information from the investors, and the internet is not a reliable source. I can put up a company in two minutes and put [UI]...
Scott	[UI] but Sonia you can't put up pages, and pages, and pages on a company and who would do that to destroy this?
Spendiff	Mark, we are also doing our...
Scott	[UI]
Hilkhuijsen	We're fulfilling our obligation as a regulated entity and it is clearly not allowed to use the internet as a reliable source. The source is

PARTICIPANTS	TRANSCRIPTION
	the investors, the legal documents, or then a company's website and that's the question. Is OneCoin listed on an authorized stock exchange? Is there a financial report from...
Scott	Yeah but it's a cryptocurrency, if I give you an opinion the currency is on a regular [UI] explain to you what it is. [UI] we cannot go to this client and say give me your financials.
Hilkhuijsen	But we do this when we identify entities as well. We go through all the layers.
Scott	You get a-
Hilkhuijsen	We have an obligation. So this means...
Scott	[UI] this is my point. There's a reasonableness standard. And I understand it has to do this, and we're cooperating, but there's a point where you have to stop. You can't go to your investors clients and ask for their money. I mean for their [UI].
Hilkhuijsen	But the question stops at the point that you confirm that IMS and OneCoin are the only source of funds for all the outstanding payments and that OneCoin generates the money from where and that we get some evidence and if that's the case, I think it looks better.
Scott	Yeah, but what I'm saying to you is, do you understand? Who you want me to call and say we have an investor that you work with that provides certain systems to you. So, they have an issue and we need now, from your financial department, your application of your money. You think they're going to give that to us? It's ridiculous. They're not going to do that.
Hilkhuijsen	[UI], don't you?
Scott	I don't have OneCoin's money. I have the money from BNN, that's [UI] money. I don't have OneCoin money.
Spendiff	But will you...
Hilkhuijsen	[UI]

PARTICIPANTS	TRANSCRIPTION
Scott	<p>I don't have a contract with OneCoin. These people are earning their money. But it's like you having a... I owned a law firm. My clients pay me. I don't run around and ask for my clients to tell me where they got the money to pay my fees for. That's like what you're asking me to do. We didn't do that in England. We sent from my law firm in England to do all kinds of due diligence to escrow money, what you did to IMS. But we didn't go take that number and get as granular as you're asking us to do. It's crazy.</p> <p>You have to go out and see do these people have a good reputation. Have they done anything illegal? Are there business actions, yes. You check all that and that's it. But you don't go to their clients and ask them hey did you really send them those five dollars that they're giving us now.</p>
Spendiff	<p>So Mark, did you do due diligence on OneCoin or did you do due diligence on IMS?</p>
	<p><b>00:15:00</b></p>
Scott	<p>We did IMS and BNN</p>
Spendiff	<p>Okay, so that's fine.</p>
Scott	<p>That's our clients. That's our clients. They're the contract. They make money off of providing a service for OneCoin.</p>
Spendiff	<p>OK and I... and Mark that's fine, but obviously from our point of view the first year we've been asking for a week where does IMS make its money from and you made reference to a...</p>
Scott	<p>That's the standard.</p>
Spendiff	<p>You made reference to Avon, Allianz and a few other companies.</p>
Scott	<p>I get this. I sent you the thing. You have to understand I don't work for this company. Okay, I don't just go into some room and pull the file. I ask them, and then they come back to me, alright? Then I say well that might not be good enough. [UI] I can make this very serious and explain to them the details of what's going on. That's what I do. I'm in between here. And I've tried to do that. I've tried to get you their information. Then I pushed some more,</p>

PARTICIPANTS	TRANSCRIPTION
	<p>and they say okay let me share the contracts with you. So, I got those for you. So now you know what the source is, you know what they do for this company. And that's it. I can't go to them now and say now get me the OneCoin financials. They are in several countries, they have huge operations. They are in an industry, as you can see from the write up from our board where it's very detailed what's going on crypto, they are in some countries, some regulated, some unregulated, so they get paid [UI] this is not a small undertaking, to go to them and say hey just put together your financials for us now.</p>
Spendiff	<p>Presumably you only discovered the relationship with OneCoin, this morning or last night, when you got the document from them saying this is our client. Up until that point, IMS hadn't shared with you any of their clients. Is that why you couldn't share it with us when we asked earlier in the week?</p>
Scott	<p>I can share...I can share... I share with you what they give me. I'm not going to go through every you know what I didn't do. I didn't feel an obligation to sit here and tell you every client I know they work for. I have some other work for insurance companies before for example.</p>
Spendiff	<p>Okay.</p>
Scott	<p>[UI] insurance policies I mean so that's not the point. This is right now the shares sales, you're asking the source of the money that is flowing into our funds right now, right? And this is the source of the funds. So that's what they showed in the email, that's what they gave me and that's what they gave to you.</p>
Spendiff	<p>Okay, Sonia do you have any... still you know unfortunately... it's still you know...there's a process and I appreciate its extremely laborious. And at any point, any of these guys could show us bank accounts that are redacted for certain non-IMS or Bitcoin clients. You know what we don't have is any independent evidence and this is what we keep going back to and if we go to Dubai, there's a certain set of accounts that are filed for this entity. If we go to Hong Kong, there's an audit of this. Hey, the clients are forthcoming and shared with us...</p>

PARTICIPANTS	TRANSCRIPTION
Scott	You know the two bank accounts you're getting your money from. You know what the problem is.
Spendiff	There's actually four bank accounts we get the money from.
Scott	Excuse me?
Spendiff	There's actually four bank accounts that we get the money from.
Scott	Okay sorry, but they're like Singapore and Germany.
Spendiff	But those are the two countries. But that's the...you're fund could open a back account in the Isle of Man.
Scott	It's coming from, it's coming from a legit bank and a legit country. We're acting like this is coming out of Tanzania. It's not. That's what bothers us [UI], I mean really who's coming from...I always like say this say that because I learned it from the other administrators not from you but the others, you know the Schedule 3 countries. That's where you get your money from. The money doesn't even touch anything else.
Spendiff	Well, we...
Scott	For this particular one, one person that's sitting in Bulgaria with a back office, OK? The money never even goes there. And she's sends me by the way 50 million from Bulgaria as well, that she had in the bank there. But it never even touches there. You're making this out to be like these are like not Europeans, like you know, sending me money out of an African bank. That's what this [UI].
Hilkhuijsen	We're not looking for the source of funds. We know the bank relationships. We're looking for the source of wealth. So, where the origin is produced. So that's the...
Scott	I already told you. Yeah, I already told you what it is. [UI] we have different opinions. We said from the beginning when we signed up with you and I'll say it now again, we will not go and like do this like audits and we're not going to, I can tell you that right now, that our client will never let us do that and we will not have future investors when the word gets around that we have to go to the

PARTICIPANTS	TRANSCRIPTION
	<p>clients of our investors to make sure where the source of the funds is. I mean that is ridiculous. No private equity fund can work that way. Like I said, if we have anything that is so unusual out there, okay? Then I will say okay, listen, I get you guys, but this is not the case. You have [UI] and everybody involved, they're mostly Europeans, you've got these Germans, IMS is run by Germans, in all countries. So you have all that, you have this coming from legitimate banks. You have several verifications of this company, okay? And there comes a point where I understand [UI] don't get me wrong. But when there's a company that big on the internet, then you might want to believe and say wow, they might be good for that money, and that's all I'm saying. But we are not going to get anything from them. [UI] and you can say that's not your problem, I have a really, really [UI] deadline. If you can't get this resolved, this is going to I mean seriously impact the business. And we've tried, and we've given you major pieces. Anybody that would look at it would say, hey here's the contracts that the income is based on, great, this matches what we have. You know, we have verifications from different companies and lawyers, that here's how the money is made, and where it's coming from. You have all that, and that is reasonable. And if you don't want to, like you know, go on and not continue that's another thing, but I've got a business to save right now, and I can also tell you already that we're not going to be able to go to the clients' clients to get their picture of their financials. Cause that is not a reasonable request, and if I was an investor I would also say no.</p>
	<b><u>00:21:15</u></b>
Spendiff	Okay
Scott	That's... I mean that's not normal
Spendiff	<p>So just to clarify, you're not, it's your intention to provide us with no further information over and above as regards to the source of wealth...</p>
Scott	<p>I'm going to sound like, on the phone call we're having right now, that you're recording something and I'll get my lawyers on the</p>

PARTICIPANTS	TRANSCRIPTION
	<p>phone. I'm telling you right now that your ask is overreaching, okay? That's what I'm thinking. We are going to do it like this. You are asking me to go to a party that has nothing to do with this relationship, and have them open the books for us, and that is not reasonable, okay? That's what I think. I never said, I'm not going to do anything else if you come up with anything else that makes sense, and that is ascertainable by us, that's something different.</p> <p>But not, but not repeating ourselves, you know not getting like nit-picky again on the bank accounts. You know where it's from, you have it. There's nothing wrong with those bank accounts, there's no lying going on. It's just like now you're saying enhanced due diligence. That's what you're doing. I understand a reasonable path here. I'm a lawyer myself for 22 years, okay? I understand how that works too, and right now [UI]. You're asking too many things now, you have where the money is generated, you know where it's coming from, you know the source, and you also know the actual source where it's wired from, which is [UI] banks that also do their due diligence, alright? This is like real banks, in real countries. So there comes a point you got to say, hey, okay we asked all these questions you know we checked all our files, [U/I] wrong with OneCoin's financials, then tell me that.</p>
Spendiff	Okay I mean
Scott	[UI]
Spendiff	[UI] I mean
Scott	[UI] I can argue that you guys are not being reasonable
Spendiff	<p>Mark, Mark, Mark, the thing is... the problem is we desperately want to be reasonable. We feel we've been led down this path at each stage because the information we've got. We'd happily leave the clients' clients relationship alone if we had the financial data on B&amp;N. You know B&amp;N been trading for ten years.</p> <p>B&amp;N's a...</p>
Scott	<p>B&amp;Ns has been taken over by Arena about fifteen months ago...</p>
Spendiff	So...



PARTICIPANTS	TRANSCRIPTION
Scott	[UI] has taken it over maybe fifteen months ago...
Spendiff	Okay so, so...
Scott	So the money has been made [UI]. We're not even at a full year yet. But we explained all that already...
Spendiff	No, I wasn't sure that we were once...
Scott	So I understand if there's been some confusion, so we're just generating money for just about a year now. That's the truth. She didn't do this before. She either worked for other companies or whatever.
Spendiff	So, so we would happily focus on Irina and B&N so she's basically never earned any money ever, it's just I'm trying I'm trying to say she never earned any money ever but now she's earning a, a, tens of millions of dollars
Scott	She worked at startup companies. They come up with ideas, they develop them for four, five, six years and make no money. And then they have a great product, but they suddenly find the right partner [UI] and suddenly they make a lot of money. That's very normal.
Spendiff	Yeah absolutely but the thing is, is, is, on- in a joint venture with um, she's in a joint venture with umm with IMS and that's the source of the money because we have great idea. But IMS source of wealth seems to be a back office outsourcing deal with OneCoin, so again you see it's not like a she's invented something which is, which is
	<u>00:25:00</u>
Scott	I understand that. [UI] The thing is, she's inventing ways to, how should I say, to materially [U/I] access to potential buyers for those direct sales companies. That's her biggest strength that she's doing here.

PARTICIPANTS	TRANSCRIPTION
Hilkhuijsen	[UI] If we don't want to go to the client of your client your client, what else could they provide to show us that in fact the money comes from OneCoin for example? Could they provide us bank statements where we could see in and outs of these amounts would then would be the investments, and justify sort of, like you said, that they come from through all good banks, and that they are wired for the purpose of this agreement, or whatever the reference is on the wire? Would that be possible?
Scott	I don't know. I asked what I could ask for, and got what I got. We have a contract that says, [UI] and I think that should be enough personally.
Spendiff	Don't forget Mark, we got a statement from one of the lawyers stating that, that Irena is the beneficial owner of IMS. So this isn't a client of... this is ultimately her right company so...
Scott	[UI] It doesn't say that. It says that she's the beneficial owner of some of the money that IMS has, and then she decided to wire it out to us.
Koyratty	So Mark, that's what we're trying to establish. We're trying to establish where this connection lies with Irena and IMS.
Scott	The connection is very simple because, we've explained it. We've already explained it
Koyratty	We need to see, we need to see...
Scott	It's simple. IMS has access to companies that do direct sales. They need certain systems, they've worked with other people other than Irena before. They [U/I] works best for them and their clients. So they have [UI] joint venture, where IMS basically goes in, signs contracts with people [UI]
Koyratty	So this is, this is...
Scott	[UI]
Koyratty	These are the contracts...

PARTICIPANTS	TRANSCRIPTION
Scott	[UI] a lot of money that she made, but she didn't want to bring it back to Bulgaria. She was figuring out what to do about this money because she didn't have this much before.
Koyratty	This is the evidence we're trying to request here. This, this contract...
Scott	[UI] unfortunately, they did not draft like a formal JV with each other. They know what their splits are, that's all that there is.
Koyratty	What about the bank transactions she would have been paid for the work that she's done? I mean you said that she took off thirteen months ago. So we're just looking for one year. One year worth of savings
Scott	[UI] she left most of her money with IMS. Now she's pulling her money out [UI]
Koyratty	I agree we are receiving the- we can clearly see that the money is coming from IMS to the fund. But what we need to see is the established link between the actual bank statements held in Irena's name or IMS' name, where that money has come from which has led to come the Fenero bank account. That's what we're trying to establish here.
Hilkhuijsen	We will not be able to anything further if we have no evidence of this kind because- or you can consider alternatives that you might understand better in your structure than we from outside. But the evidence that we have received so far is definitely nothing that we can use as evidence. It's a copy, it's a one pager, it's a verbal statement, it's an internet site. You are the expert on the relationship, so maybe the bank statements are the best way to.
Scott	[UI] But I've gotta, I've gotta disagree with you again. I've gotta disagree with you again. You have verifications from attorneys on their letterhead stating the numbers, okay? How much was earned. How much was IMS's money.
Hilkhuijsen	It doesn't confirm the relationship
Scott	[UI]

PARTICIPANTS	TRANSCRIPTION
Hilkhuijsen	[UI] is the one that needs to confirm the source of wealth is coming from.
Scott	[UI] You want another letter from Irena instead of her lawyer? I mean I don't understand. These people are not, people are not-look, look, look. I'm going to try to ask [UI] I asked them now for weeks. They are not in a position. They are investing with us. We are happy we're getting their money, okay? We are [UI] them in terms of businesses [UI]. They are not going to submit to some audit. [UI] because now you guys have decided now you need to like be an audit. There is nothing that went wrong in this whole relationship, okay? There is nothing that set off a bell, where somebody would say oh my god there's like anti-money laundering going on, something going on, nothing.
Hilkhuijsen	[UI]
Scott	[UI] this came up with Paul having an issue with a loan that was supposed to be made, that was made already two weeks before [UI]. That's how this started. And then it went deeper and deeper from there. There was never any issue with any of these parties, until like a week ago, a week and a half ago. Okay? And that's why I'm saying, this is like super unreasonable. Nothing has occurred that should tip you off in any way to say something illegal was happening. And we take this really serious, okay? I have three other lawyers including myself involved with this thing right now.
	<b><u>00:30:39</u></b>

# **EXHIBIT B**

CASE NAME: One Coin

FILE NAME: USAO\_00025320

DATE: 9/8/2016

TIME: 23:54

LANGUAGES: ENGLISH

PARTICIPANTS: Mark Scott, Paul Spendiff, Muzammil Koyratty, Sonja

ABBREVIATIONS: [UI] Unintelligible in English  
[PH] Phonetic spelling in English  
[] Transcriptionist's Note

PARTICIPANTS	TRANSCRIPTION
	<b><u>00:00:00</u></b>
Scott	Every little piece of paper was sent to Apex. Every time we got a wire [UI], or here's a deal we're doing, here's all the underlying transactions and documents. We did everything we can. Okay? And now this is, this weakens our relationships with our investors. You are screwing up our business. There have to be limits for this, okay? [UI] we have a basically an investigation. This is not a reasonable analysis of the situation. This is an investigation.
Spendiff	Okay, well, Mark, so you know obviously we've clarified what you know any of you know, and we tried to be reasonable in terms of some of the different angles we are trying to play in terms of you know getting comfort from this source of wealth question, which is an essential part of our regulatory role. And so you know...

**GOVERNMENT  
EXHIBIT  
2303-TR  
17 Cr. 630**

3511-002 [Tab 118]  
TRAN\_18

PARTICIPANTS	TRANSCRIPTION
Scott	<p>You got it. You got it. From several sources, plus documents. We have agreements... [UI]. We have agreements what the source of income is. You have it. [UI] send it to you. So you have verification... [UI]</p>
Spendiff	<p>So, so essentially Mark, the first...[UI]</p>
Scott	<p>[UI] ...from the company's lawyers. [UI] from the company's lawyers, saying hey, here's how the money's made, and here's where it's from, and here's how we shared with other parties, okay? Then we have the underlying contracts, where IMS actually gets the money. Then you have the shares from the banks. You know which banks you're dealing with, which are totally legit. So there's nothing in this whole chain, there is nothing wrong which would set off alarms with you. The only thing you have is, you have an owner, that's coming into wealth now suddenly after I don't know, you know trying hard for many years, now suddenly she made it, she's doing that for not even a year, [UI]. So that's the only odd part about this whole structure.</p> <p>You do due diligence at the beginning, you had no problem with it. We took the over subscription of the first fund. We closed the fund. We got fees. We got a signal. We got our fees. We got the signal, we can use this money. And right now I am in a situation, and that's why I am really really ticked off. Where I signed contracts, okay? I put my reputation out there. I have things to pay. And I am getting tired after a week and a half, when we really tried to help here, and we understand the need for it. But you also have to understand that there is a limit to things. And the limit has been reached. I need to do my deals. And if these don't happen, then we have a whole different conversation to have.</p>
Hilkhuijsen	<p>So to the point of the confirmation of the document, apart from the lack of form, if we rely on the control that someone has done on the source of wealth for what you say your lawyers, then this reliance works only if we can test the execution of the promise, which is what we are asking. We are asking if these lawyers can show us evidence more than the letter stating they have done it. If they are those who can provide any evidence for the source of wealth, and they say they have it...</p>

PARTICIPANTS	TRANSCRIPTION
Scott	[UI] We are going in circles.
Hilkhuijsen	No, [UI] means there is something...
Scott	We're running in circles right now. You're still asking for something more. Why would IMS send its money on behalf of B&N? With B&N sending you 27 or 29 authorization letters asking IMS to send the money to you. [UI] You have like a huge stack full of paperwork.
Hilkhuijsen	So what's the problem in getting the bank details then on this?
Scott	These people don't want to be audited by you, do you understand? They're investing money with us...
Spendiff	What about...
Scott	They are going to tell us to give them their moneyback.
Koyratty	What about from B&N? Can we get the bank statements, and the evidence showing...showing the source of wealth that you know because...
Scott	What's that going to help you do? [UI] ...they sent you already. I mean they definitely know.
Spendiff	They must have had a bank account to show where the money came in from.
Koyratty	Yeah
Scott	[Laughing]
Koyratty	That's what we want from each...that's what we want from each party. We want to see where...
Scott	[UI] like 15 million of the under 40 million being verified. I mean this is funny
Spendiff	The problem is that we can't verify any of it Mark. That's the problem. So, you know we want to help. This isn't a situation where...



PARTICIPANTS	TRANSCRIPTION
Scott	[UI] I'm talking to a guy in Miami. [UI] ...understand what is going on. You guys are, I mean, you guys are acting like the government.
Spendiff	No, that's certainly...
Scott	No seriously, you are acting like the government, and I nowthat's how this started. Because everything was fine until a certain point. And now it's getting drastic. We have given you the materials to understand and to verify what the system of the company is and how it's making money, and where the money stems from. And you three everyday just want [UI]. Just another one andanother one. And that is not acceptable. And we have a contract that says that you need to act reasonable. And [UI] compared to what you do by talking to others that we work with as well, this is taking it far beyond what anybody would do.
	<b><u>00:05:30</u></b>
Hilkhuijsen	Well [UI]...
Scott	I have about 3 hours to get the money wired. So I don't know what you want me to say to you anymore. Because I can't get you things anymore. We gave you whatwe have, what the client was able to give us, what IMS was friendly enough to share with us as well because of our relationship. And that's where we are.
Koyratty	Did the...would the way uh...the situation that we are in right now Mark is we won't be able to process the payment withoutthis evidence, without having proof showing without the proof of the source of wealth from the bank statements. That's where we are right now, and...
Scott	You are asking for the source of wealth, You are askingfor source of wealth, of the client of our investor. Do you understand that?
Spendiff	Ah, I mean yep.
Scott	We're going to have to go to them. Do you understand that? You are asking us for the client's source of wealth. That's not going to happen. They are not going to give it to us, nor should they. We have no right to it. Wehave

PARTICIPANTS	TRANSCRIPTION
	given you exhaustive materials on how IMS generates their material and how they share it.
Spendiff	Well I am sure if Irena Dilkinsahas this JV with IMS where they together this revolutionary service has been utilized with OneCoin, and I am sure at any point Mark, I get the fact that you are stuck in this terrible position...
Scott	<p>[UI] ...number one that I think, and that's normal, and I am trying to explain to you a little more, that you do not understand the industry that they're working in at all. I can tell. You just don't understand it. Because you do these little ironic little comments and all that, you don't understand how it works. And this is something that happens all over the world, and maybe in Amer-, probably in umm fifteen of the hundred largest companies in America, [UI] it is large because it is direct sales. And what happens this is done over TV, and media, other media, and print media, and mostly through sales forces, okay? And being able to have access these sales forces, and having access to all kind of like mailing lists, etcetera, etcetera, or being able to access them and distribute them in a logical manner, or in an efficient manner, gives these sales forces, or these companies I should say, a great advantage. It usually take, something like OneCoin, probably charges, and I don't know because I don't work with them, they probably charge their end clients somewhere around 45-55 percent commissions on our revenues. And that's very normal in that industry. And that's how they are able to pay the support teams that they need, because they don't want to carry that by themselves, and not you know, have that in every country, so they have support teams that care of certain elements in this business, which is IMS and which is B&amp;N, okay?</p>
Koyratty	— This is exactly what...
Scott	<p>That's how they are able to generate the money. It's very simple for someone who knows the industry. And it's very, very regular that you get these amounts of commissions. But for us to go to OneCoin that is a very, OneCoin was one of the actually the largest growing right now direct sales companies in the world, uhh, they are not going to come out and share their information with us. It's not going to happen.</p>

PARTICIPANTS	TRANSCRIPTION
Koyratty	Okay, but we want...
Scott	<p>You are asking for something that is impossible for me to get. And I don't know what to say to that. Umm, they are on the internet, so I understand [UI] so we can't verify any of that. Nobody is able to generate that much press on the internet in fifty countries just to like you know get an administrator to feel like they can verify the company. Uhh, It just doesn't work that way. And there is nothing out there to look at. And that's what we are saying, and that's what we are saying, everything we provided with the numbers, with the underlying contract that's been signed by OneCoin, you have that. We provided you enough data for you to see how the money streams. You know where it's coming from. You never had an issue from where it was coming from until a few days ago. Because how is that something totally different. We already did one deal, but the second time the same deal you didn't want to do it. So everything is a little off here, okay? So uhh maybe you stepped forward a little too quickly as well, I don't know. But right now I need to get this fixed.</p>
	<b><u>00:10:00</u></b>
Koyratty	Okay, you know the...
Scott	And whatever you want to do is like, you know...if you want to think about this for an hour and call me again. Umm, I need to get this paid. I need these payments made.
Spendiff	Mark, Mark
Koyratty	The only way we are going to be able to do these payments, Mark, is if you can provide this information on IMS and B&N. We are not looking for the information on OneCoin. We are looking for the IMS Singapore entity, and the German entity, and B&N. Those are the three entities that we receive monies from. We haven't received monies from directly from OneCoin.
Scott	Are you are asking for the financials? What financial information? You already have...
Koyratty	Financials, financial statements and accounts...

PARTICIPANTS	TRANSCRIPTION
Spendiff	Financials of the bank accounts, corporate brochures, anything. I mean you know these are companies generating hundreds of millions of dollars. There should be you know...
Koyratty	Those monies were transferred from the client's bank account. So IMS and B&N...
Scott	The companies that get famous are the companies that sell the products. Never the companies behind the companies selling everything.
Koyratty	But we want to see... These companies IMS and B&N have transferred monies to the Fenero account. We want to see these transactions of how they are obtained this money. That's what we are asking for. In order for you to pay...
Scott	But we gave it to you. That is what I am saying. We gave it to you. You have the underlying contracts with OneCoin... from two offices
Koyratty	Well not looking... We're looking for the actual bank statements.
Scott	[UI] ...so we know where it comes from. That's my point. But you are saying to like audit these people. It's straining my relationship. I can't ask them for anymore. [UI]
Hilkhuijsen	[UI] ...we need to see the money flows. The money flow is on the account from IMS and BNN, so in essence and because they act differently, [UI] all this stuff, corporate brochures, we need [UI] an extract from the bank account. It's an alternative that could very quickly...
Koyratty	Resolve this issue.
Scott	No, you're asking us for some extracts from bank accounts. You are asking for a set of real bank statements. That's what you are doing. And that's overreaching to my clients, okay? These are investors with us, okay? And there are certain things I understand you can ask for, and you should ask for. But we didn't sign these subscription agreements with them based on that ask our own questions either, okay? But you are essentially between there, and then there is something on the other end of the spectrum,

PARTICIPANTS	TRANSCRIPTION
	for, and that's basically auditing them. You want all their financial information.
Spendiff	Well no...
Hilkhuijsen	<p>We don't get any evidence of the financials, so we are asking what's the source of wealth to give us in a contract with another entity, then you say it ends there. So if this is the source of wealth or any other source of wealth, something is the source of wealth. So it's either in this contract, and then it needs to be evident, or there is another evidence. The other evidence in absence of corporate documents, or reports, or audits on such entities, would be a bank statement or a declaration from the bank that there are regular payments coming in from OneCoin in an amount of... There are a hundred of options to cover this gap with the bank.</p>
Scott	<p>No, no, no [UI] I understand. I understand that. Sonia, Sonia, Sonia, I'm going to tell you, what I can go back to these emails and all for the last week. We didn't send requests all the time, okay? [UI] We said some of that stuff is not going to be possible from the beginning, from the beginning. So it's not going to happen. Others we sent. Then the last requests were, and that actually in the email that I sent even to the guy, and said hey, look, guys we really need to ask you to drop your pants ...this is going to help us get this done, which was the contract, for example, which typically they would never give us. They said hey, if you understand, like how you make the money, we're done. Hey, I sent it. So that's where we are.</p>
Hilkhuijsen	Well actually...
Scott	And now [UI] further [UI]...
Hilkhuijsen	We have now a new name in the game. That's what Paul said...
Scott	What's the new name?
Koyratty	OneCoin. OneCoin. We didn't know...
Spendiff	We didn't know anything about One Coin until this morning at 8:00.

PARTICIPANTS	TRANSCRIPTION
Scott	Oh my God. These are the clients. [UI] So why you are asking, I don't understand. You're chasing them down this like rabbit hole.
Hilkhuijsen	...an investor, I would ask them if they have financial reports, evidence, if they have clients, and that they have an income generated in the amount that is...
Scott	I have to ask my investors. I'm a fund manager. I need to make sure my investor has the money. And my investor gives me certain recs and warranties, that is has the money, that is has the legitimate way, and I make sure it gets paid by a legitimate source. That's what we need to do. Not go down the rabbit role of checking every next level.
Spendiff	I'm afraid that's not how AML and KYC works.
Hilkhuijsen	[UI] investor. We need then to go in the rabbit hole, and so...
Scott	You have a lot on the investor. See this is what I am getting tired of. You have tons on the investor.
Hilkhuijsen	We have had no evidence that it would stand up in court. For example, we have copies, we have confirmation that we can [UI]...
Scott	[UI] ...you are talking about the law firm, and the law firm issuing a letter as outside general counsel saying we are verifying xy and z, doesn't stand up in court? I don't know where you go to court.
Hilkhuijsen	Well in Germany...[UI]
<b>00:15:00</b>	
Scott	Where I go to court... Where I go to court... Of course in Germany it'd stand up [UI]. It's a declaration. It's a declaration. [UI] It finds... It Finds... It Finds...
Spendiff	Are you referring to- Mark. Are you referring to Martin Breidenbach?
Hilkhuijsen	No
Scott	Excuse me?

PARTICIPANTS	TRANSCRIPTION
Spendiff	Are you referring to the letter from Martin Breederbeck? Is that the letter that you are referring to?
Scott	I'm referring to the letter from Victor that's [UI] counsel atBNN
Spendiff	Oh, Victor Rasheed [PH]
Scott	Outside general counsel
Spendiff	Ok
Scott	Yes
Spendiff	I'm sorry
Scott	And he laid this out for you like step-by-step
Spendiff	Yeah, I mean he states that B&N's income is from... you know, he doesn't state, you know, specifically for what activities. You know, it's just not... You know, it certainly helps, I'm notyou know...
Scott	Come on guys, come on please
Koyratty	It's not going to be for [UI]
Scott	It's telling you what the company does, okay? I mean [UI] what I'm saying [UI] like beyond anything I've ever experienced. He's telling you how he's making the money. He's putting the amounts in even.
Spendiff	You know, Mark I think you're absolutely right, we're definitely going around in circles here. Look, we're trying to be as accommodating as possible, but until we get those things we talked about today, and we can get back into them by email, you know, the specific stuff by email. No money is going outtoday, and not tomorrow, or until we can kind of clear this up one way or the other.
Scott	Alright, well it doesn't seem like we're going to be able to clear it up. So what do we do? So I lose my deals today, I lose my deals today, and umm, and umm, yeah I'll be out like, you know, I don't know, like \$40,000,000. And then I'm going to get sued for breach

PARTICIPANTS	TRANSCRIPTION
	of contract. What are you going to do with that? What do you think I'm going to do with that?
Spendiff	I don't know Mark, I can't comment on any of those issues. I can only comment on our requirements that we need in order to make these further payments from that account.
Scott	So now I'm asking you. What are you going to do with your money and your accounts? Alright it's my really serious question, a really serious question.
Spendiff	The money in which accounts Mark?
Scott	[UI] you have like about 140,000,000 Euros of ours.
Spendiff	In...well we don't have them, they're in like a DMS bank account in the name of the fund. Umm, so at this stage we're not going to do anything. We're gonna, we're gonna, you know obviously, we're going to hope that ideally you're going to send us the information that we've asked for really quickly, and then we can make the payments you want...
Scott	I can't get OneCoin information. I told you. I can't get it.
Spendiff	I don't think we, you know, I think we, you know, you've stated that and that's fine. We said okay, now let's get stuff from B&N, from IMS, and sort of these bank statements from these entities which are very close, as described to us by yourselves, and by Mr. Rashev. So umm you know, for the last you know, umm that would be, you know we said that would be, you know potentially acceptable depending on what it is they provide us.
Scott	I can't go anymore with potentially acceptable. I'm doing that for a week now, alright? I need to know from you exactly what is acceptable, okay. And then we're done. Okay, that's what has to happen. Because I am tired of this like 'oh here is another list or email I thought of something'. It doesn't work that way. We complied with everything. And again. The next day when I think it's all over. We got the contract. Hallelujah. We got the contract. And then again something else.
Koyratty	If we have the bank statements showing the IMS and B&N...



PARTICIPANTS	TRANSCRIPTION
Scott	<p>This is becoming [UI] You have to understand. This problem that we are having right now is way past this compliance thing. I mean because we are having serious damages happening today. I just want to let you know that. Okay? We are not going to stand idle by, by you making your decisions that we think are unreasonable, and have these damages occur. That's number one. Number two, if you want something from us, more after this conversation, while it was very clear what our boundaries are. You want something more? Then send me exactly what you need. Exactly what you need. And then it's over. When you get that, it's over. No more questions. Then you release the funds, and we're done. Because I can't go through this. Any time you get something, five other things pop up.</p>
	<b><u>00:20:00</u></b>
Spendiff	We can't well uhh, Mark, I mean we can't uhh...
Scott	<p>[UI] send your information. It has something to do with the source of funds already. Because we are just accommodating. That's how we started this whole thing. And we are now frustrated. We were accommodating. We sent more than we had to to you guys. And we still now out of nowhere, we suddenly had an issue. Because one lady out of Bulgaria that actually has a successful company started to make too much money. That's the issue we are having.</p>
Spendiff	Well, uh...
Scott	That's exactly Paul's words in an email, or sorry paraphrase. Oh how can this person suddenly have so much money?
Spendiff	Yeah exactly, and we're are still stuck at that point. The source of wealth
Scott	Excuse me?
Spendiff	And we're still here because we still haven't gotten really to the end of what the source of wealth is. You know it is tangential information that is...

PARTICIPANTS	TRANSCRIPTION
Scott	Yeah you have. You have gotten to that point. Because you have the contract, how this company makes money. You have the statements from IMS saying how much money they made. You have from BNN the statement how much money they made from an outside source, which would hold up in court by the way. And that is the verification of income. And the money is coming from legit banks, and it should be over. But you guys keep on digging for more and more and more. That's what why I want you to draw your own line in the sand right now, and tell me, what are you not going to get? What other pieces you need? And then you are done. And once we deliver those, then you'll free up the money and get paid, okay?
Spendiff	Well, and we'll tell you what we need...
Scott	[UI] ...now you're saying again, oh well. Well maybe no [UI]
Spendiff	No no no. No look...
Scott	[UI] ...I go back to these people one more time, and ask them something one more time, then that has to be it.
Spendiff	I don't know what's going to be on the bank statements Mark
Scott	I'm not going to get more.
Spendiff	Okay, well we'll tell you what you need.
Scott	I don't know who else you work with. You understand my business right? I need to have a good relationship with my investors.
Spendiff	No absolutely, you know. I'm sure they appreciate you doing this on their behalf.
Scott	You are screwing it up for me right now, okay? I am losing investors, and you think this one after all this is going to like stick around for a long time? I mean give me a break. You gotta also as an administrator help us do our business.
Spendiff	Yeah, and that is desperately what we are trying to do.

PARTICIPANTS	TRANSCRIPTION
Scott	No you are not. No, you are not. You're like the IRS.
Spendiff	Mark, well I am not the IRS, I can't comment on that.
Scott	<p>No, you are. You are asking me exactly the questions, like this is an audit. I'm not getting mad, and I'm not getting mad because, hey, there is something that we can't share with you. We shared everything we have with you. The bottom line is, we have a timing element in my business and we have a relationship element. And right now Apex, and now Apex in our eyes in an unreasonable way is screwing both of those up for us right now. Okay, and I don't know how to explain to other people how am I losing money. I have to send a notice to my other fund, to say hey oh we're losing money over here, because uhh we are having some verification issue.</p>
Spendiff	<p>So Mark we will send you that email out with the requirements, which is going to be pretty much in line with the previous emails we sent you. But we will send it again. You know, and then let's see what documents you can provide. I think that is probably the next step. Sonia you have anything to add?</p>
Hilkhuijsen	No I absolutely agree. Hopefully we get that, then.
Spendiff	Okay, alright, bye.
Scott	<p>Also, I would like to say that I would like to really also speak to somebody on your business side, and not just compliance. Just so we can kind of you know kind of discuss where this is going to go, if we can't give you what you need, okay?</p>
Spendiff	Uh yeah, we can, we can certainly arrange another call...
Scott	Let's do that quickly
Spendiff	Alright, no problem. Speak to you soon.
Scott	Okay, thanks.
	<b><u>00:23:54</u></b>